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Place:

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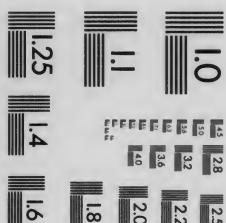
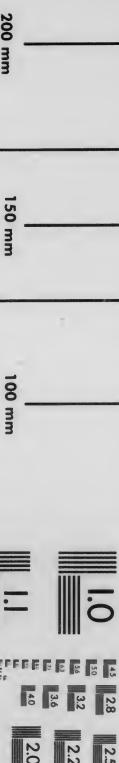
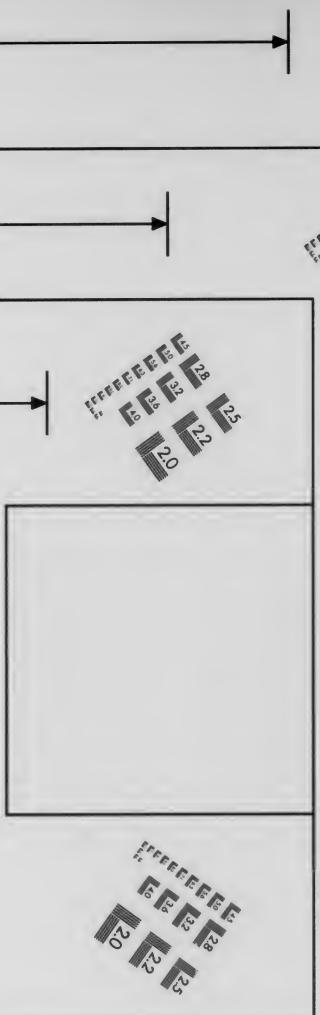
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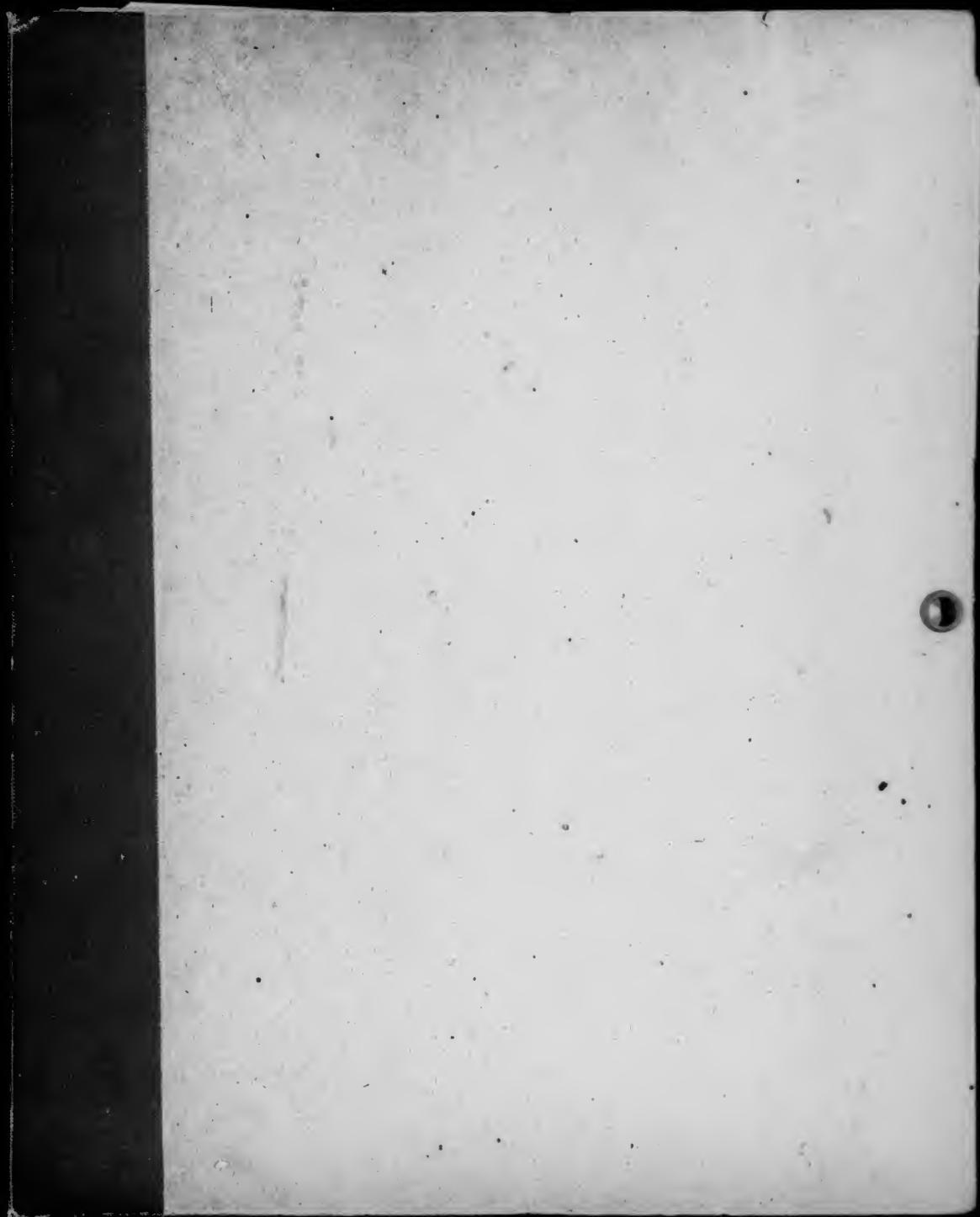
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INFORMATION  
*about the Government's*  
**WAGE-PRICE  
POLICY**

(With the regulation)

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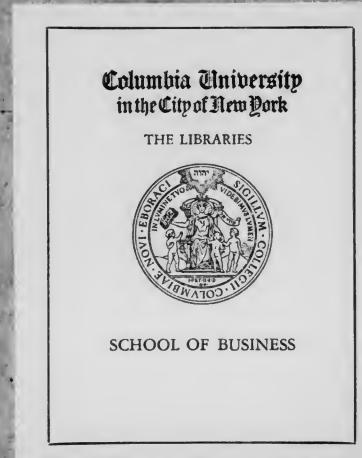
Issued March 11, 1946 by

OFFICE OF ECONOMIC STABILIZATION-- Chester Bowles, Director

NATIONAL WAGE STABILIZATION BOARD - W. Willard Wirtz, Chairman

OFFICE OF PRICE ADMINISTRATION - Paul Porter, Administrator

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## A MESSAGE

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We Americans have every reason to look to the future with confidence. The war taught us that we have vast productive capacity. We know, too, from five years of experience with the greatest inflationary pressures in history, that the cost of living can be and has been kept in line.

We can see ahead the greatest chance this country has ever had for a long-sustained period of full-production, with handsome returns for our industries and our farms and good-paying jobs for everyone willing to work.

Yet our progress toward that goal is being delayed by fear and doubt and blind self-interest. Those are the bottle-necks we must break.

I believe that in the wage-price policy set forth today the American people have a blueprint that can rid our economy of those bottlenecks and clear the way for the greatest flood of goods this great nation has ever seen.

Industry needs and is entitled to firm assurance that it will get speedy decisions on wage and price adjustments where they are needed, and that it can move ahead with long-range full production plans based on stable costs and good and steady profits.

Workers have a right to assurance that they are free to bargain for reasonable wage increases under the wage patterns clearly established. They have a right to assurance that government decisions on the agreements which come out of collective bargaining will be made speedily.

Farmers have a right to assurance that their farm income will be maintained at permanently high levels so that they may have a fair share of our national peacetime prosperity.

All of us, no matter how we make our living, are entitled to know that the rents and prices we pay are not going to shoot up in the months ahead. And we have a right to expect - at prices we can afford - more durable goods, more clothing, more homes and the other things which we so badly need today.

AMERICAN  
UNION  
FOR  
PEACE

I believe sincerely that the wage-price policy is a practical step toward a future of sustained prosperity. I believe that we can make the plan work to get the all-out production needed eventually to lick inflation. In the meantime we can continue holding the price and rent line against the kind of disastrous boom and collapse which began just about this time after the last war.

We can't expect, however, that this plan will work automatically. First, every employer and every worker and every farmer must want to make it work. That means tackling the job in the same spirit in which we tackled our war job. It means a good deal of give and take -- and perhaps a little sacrifice. It means a little self-control over our own self-interests; a little less scrambling to get ahead of the next fellow who may seem to have some slight, temporary advantage.

Second, we must continue to have effective governmental tools to do the job.

Finally, all government agencies involved in the new stabilization program must streamline their machinery even further and work even harder to give businessmen, farmers and workers fair and quick decisions. I know this is an objective on which all government leaders agree.

The American people are determined to see that our economy works for all the people. They are determined that this fight to avert the tragedy of inflation will be won. Upon the outcome of this fight hangs, not only the value of our earnings and our savings tomorrow, but also our security and our economic and social progress for years to come.

We have the sure knowledge that there is nothing inevitable about inflation, for it would be a catastrophe of our own making. With the right spirit and the right tools we can get the production we need in the months ahead, and at the same time insure a safe, sound foundation for a healthy and prosperous economy after this emergency has been long forgotten.



Chester Bowles  
Director of Economic Stabilization

## SOME GENERAL QUESTIONS and their ANSWERS

1. Q. WHAT IS THE PURPOSE OF THE NEW WAGE-PRICE POLICY ANNOUNCED BY PRESIDENT TRUMAN ON FEBRUARY 14TH IN EXECUTIVE ORDER NO. 9697?

A. To maintain the "Stability of the economy in the present emergency" and to clear the decks for full-speed-ahead in production, the order provides:

FIRST, a basis for reasonable wage settlements in all cases. Labor is assured the opportunity to obtain wage adjustments in line with those worked out in free negotiations, or recommended by the government, since V-J day.

And SECOND, prompt adjustments in price ceilings wherever they are necessary to relieve hardship or increase production of essential goods.

2. Q. WHAT ARE THE BASIC SIMILARITIES BETWEEN THE NEW WAGE-PRICE POLICY AND THE PREVIOUS POLICY?

A. The new policy is not a brand new program but an adaptation of the old to fit present conditions.

The new policy, like the old, calls for free collective bargaining within the framework of the stabilization program. Except in a few special situations, it imposes no direct prohibitions on wage or salary increases.

Like the old, the new policy puts limits upon the extent to which wage or salary increases can be reflected in higher prices or higher costs under government contracts. Such increases must be approved by the government before they can be used for these purposes.

3. Q. WHAT ARE THE PRINCIPAL DIFFERENCES BETWEEN THE NEW WAGE-PRICE POLICY AND THE PREVIOUS POLICY?

A. Under the old policy, the standards for approval of wage or salary increases were relatively limited. These standards were not intended to limit the amounts of the increases which would actually take place. On the contrary, so-called unapproved increases, over and above the standards for approval, were encouraged. But these unapproved increases could not be reflected in higher ceiling prices right away. After a six-month test period, however, OPA was directed to take them into full account and to give any price relief which the test period showed was called for under established pricing standards.

This policy worked well in the majority of cases. Thousands of wage agreements have been concluded in orderly fashion under this policy. Prices have been held in line.

In many industries, however, labor has suffered a severe loss in take-home pay, as a result of loss of overtime, downgrading and similar factors. In some of these industries, employers could not absorb, even for a test period, the increases in wage rates which were necessary to give labor at least partial compensation for this reduction in earnings and to offset the increases in the cost of living since before the war.

The new policy meets this difficulty squarely and realistically. It liberalizes the standards for approval of wage and salary increases. The basic standard consists of the patterns of adjustment which have actually been established in the various industries and localities during the period between V-J Day and the date of the order.

Having liberalized the standards for approval, the new policy no longer encourages unapproved wage or salary increases. Consideration of such increases is barred, not merely for six months, but for the duration of the stabilization laws in determining either price ceilings or costs under government contracts.

Wage or salary increases which are going to be used in applying for price relief immediately, or for increasing costs to the government, must be approved in advance.

4. Q. WILL THE NEW POLICY REQUIRE PRICES TO BE INCREASED WHEREVER WAGE RATES HAVE GONE UP?

A. Far from it. Higher wage rates do not necessarily mean proportionately higher labor costs. Loss of overtime, downgrading, an improved labor force and other factors, offset the effect of higher rates on labor costs in whole or in part.

The whole record since the last war proves this point clearly. In 1919 our industrial workers earned on the average only 47 cents an hour. Today the average is 99 cents an hour, more than twice as much. Yet the average of prices we are now paying in the stores is just about the same as it was in 1919. And the process has not bankrupted American business either. Corporation profits before taxes last year were three times what they were in 1919.

Even when increases in wage rates do increase costs, they do not by any means always call for price increases. The effects that higher labor costs have on prices vary sharply from industry to industry. In one industry direct labor costs may make up only 10 percent of the cost of manufacturing. Thus, a 10 percent wage increase in such an industry could, at the maximum, increase the total cost of manufacturing only one percent. In other industries where wages make up a larger part of the total cost the impact will naturally be greater. But even where there are substantial cost increases manufacturers will not necessarily have to raise prices. Many of them are in such a highly profitable position that they will be fully able to absorb the increases, and still show much higher earnings than before the war.

5. Q. WHAT DOES THE NEW WAGE-PRICE POLICY MEAN TO THE AVERAGE AMERICAN FAMILY WHICH IS SO CONCERNED ABOUT THE COST OF LIVING?

A. First of all, it means that consumers can expect to get larger supplies of refrigerators, washing machines, automobiles and all the other peacetime goods we're all waiting for. Secondly, it will not mean a new higher level of prices. More than two-thirds of the average family's expenditures go for food, rent and clothing. The new wage-price policy should have no effect on rents and little or no effect on food and clothing. Special steps are being taken to increase production of low-priced clothing and thus to reduce the average family's clothing bill. Prices for some metal goods will undoubtedly increase somewhat. Such increases mean a bulge in the price line. But there will be no break-through.

6. Q. WHAT DOES THE NEW WAGE-PRICE PROGRAM MEAN TO THE AVERAGE EMPLOYER?

A. It means quicker settlement of wage problems. It means prompt price relief where hardship exists under fair pricing standards. It means that the way is cleared for all-out production.

7. Q. WHAT DOES THE NEW WAGE-PRICE POLICY MEAN TO THE AVERAGE WORKER?

A. It means that barriers to fair wage and salary adjustments, through collective bargaining or otherwise, are removed. It means that the worker is protected against a runaway cost of living which would destroy the benefits of the adjustments.

8. Q. WHAT DOES THE NEW WAGE-PRICE POLICY MEAN TO THE AVERAGE FARMER?

A. It means an increased flow of machinery, tools and other peacetime goods he needs to run his farm. And it is unlikely that there will be any real increase even in the prices of the farm equipment he buys. It means that the declining income which many farmers expected after V-J Day will not materialize because the wartime purchasing power of many industrial workers will be at least partially restored through increases in wage rates.

9. Q. WILL THE NEW WAGE-PRICE POLICY TIE BUSINESSMEN AND LABOR UNIONS UP IN RED TAPE AND DELAY?

A. Emphatically no. The Government is obligated to give both groups the fastest possible action, if we are to get the flood of production we need. The new wage-price program contains new provisions for streamlining procedures to the limit. However, this is a two-way obligation. Businessmen will have to cooperate by supplying accurate data and supplying it more quickly than has been the case on many occasions in the past.

10. Q. WHAT AGENCIES WILL ADMINISTER THE NEW WAGE-PRICE POLICY?

A. The same agencies which have been administering the previous policy. The National Wage Stabilization Board will pass finally on all applications for approval of wage increases, except those involving agricultural labor and so-called Lea Amendment cases. The Board acts also on increases for certain salaried employees receiving \$5,000 per annum or less. This agency consists of a national and twelve regional tripartite boards made up of industry, labor and public representatives. It was established at the beginning of this year to carry on the stabilization functions of the War Labor Board.

The Salary Stabilization Unit in the Treasury Department will pass finally on all applications for approval of salary increases other than salary increases under the jurisdiction of the National Wage Stabilization Board.

The Department of Agriculture will continue to administer wage controls applying to agricultural labor.

The Office of Price Administration, of course, will administer the price features of the new policy, with the approval of the Secretary of Agriculture as required by law in certain cases.

The Director of Economic Stabilization will direct and coordinate the overall policies and see that the program in general is carried forward promptly and uniformly in line with the President's executive order.

## **QUESTIONS and ANSWERS about Wages under the new policy**

### **11. Q. CAN AN EMPLOYER LAWFULLY MAKE A WAGE OR SALARY INCREASE WITHOUT GETTING GOVERNMENT APPROVAL?**

A. Yes. Under the new executive order, so-called unapproved wage or salary increases are still lawful, with certain exceptions, just as they were before. However, wage or salary increases must be approved before they can be used as a basis for securing an increase in price or rent ceilings or utility rates or for increasing costs to the United States under Government contracts. Unless approved, such increases cannot, for the duration of the stabilization laws, be considered for such proposes.

### **12. Q. ARE THERE EXCEPTIONS TO THE GENERAL RULE THAT UNAPPROVED WAGE OR SALARY INCREASES ARE NOT UNLAWFUL?**

A. Yes. These exceptions are the same as those which existed before the new Executive Order.

Wages in the building construction industry cannot be increased without the prior approval of the Wage Adjustment Board. (This agency, made up of management, labor, and public representatives, has administered wage controls in this particular field throughout the war).

Wage increases which do not conform to the ceilings on agricultural labor established by the Department of Agriculture are unlawful.

Certain inequity adjustments in the basic steel industry called for by the War Labor Board's decision of November 25, 1944, in the "basic steel case" still require prior approval.

Finally, new job rates in new plants, or in new departments of existing plants, are unlawful without specific approval, except to the extent that advance approval may be given by general order.

The new executive order authorizes the Economic Stabilization Director to provide that additional classes of wage or salary increases shall be unlawful unless made with prior approval, if in his judgment such action is necessary to prevent wage or salary increases inconsistent with the purposes of the stabilization laws.

The new executive order and regulations do not affect pre-existing rules as to wage decreases. All wage decreases are unlawful unless approved before being made.

### **13. Q. WHAT IS MEANT BY AN "APPROVED" WAGE OR SALARY INCREASE?**

A. An approved wage or salary increase is one which can be used as a recognized item of costs in applying for an increase in price or rent ceilings or utility rates, or as a basis for reimbursement under Government contracts. An unapproved increase cannot be used for any of these purposes for the duration of the stabilization laws.

The executive order itself gives blanket approval to certain classes of wage or salary increases.

The order also authorizes the Economic Stabilization Director to give blanket approval to additional classes of increases. Several such classes of increases are approved in the new wage-price regulations.

Where such advance approval has been given, no further application to any wage or salary stabilization agency is required.

Approval of other wage or salary increases can be secured only on specific application to the appropriate wage or salary stabilization agency.

### **14. Q. MAY AN EMPLOYER MAKE A WAGE OR SALARY INCREASE AND THEN APPLY FOR APPROVAL OF IT AFTERWARD?**

A. In two classes of cases, yes. In others, no.

The first class of cases is one established by an earlier order of the Stabilization Administrator. For an interim period, until March 15, 1946, an employer may make an unapproved wage or salary increase without waiving the right to seek approval afterward. He must, however, apply for such approval within 30 days after the increase is first reflected in current payrolls.

The new regulations provide for a second class of cases in which approval of a wage or salary increase may be sought after it has been made. An employer need not secure prior approval of a wage or salary increase if he has no present intention of using it as a basis for seeking an increase in price or rent ceilings or utility rates or for increasing costs under a Government contract, and if he so states in a notice describing the increase filed with the appropriate wage or salary stabilization agency within 30 days after the increase is first reflected in current payrolls.

If the employer files such a notice, he can ask for approval of the increase at any later time. Approval will be given or withheld on the same basis as if it had been sought before the increase was made.

If an employer makes an unapproved wage or salary increase on or after March 15, 1946, and fails to file such a notice, he will be deemed to have waived any right to use the increase as a basis for seeking price increases, or for any of the other purposes stated above.

### **15. Q. IF AN EMPLOYER MAKES A WAGE OR SALARY INCREASE WITHOUT PRIOR APPROVAL AND GIVES NOTICE THAT HE HAS NO PRESENT INTENTION OF USING IT AS A BASIS FOR SEEKING A PRICE INCREASE, MAY HE APPLY FOR A PRICE INCREASE LATER?**

A. Yes. He must, of course, first secure approval of the wage increase. OPA will then consider his application for price relief, if he shows a reasonable ground for the change in his original intention. Any price relief called for on the basis of the established pricing standards will then be given.

16. Q. WHAT IS THE PURPOSE OF REQUIRING AN EMPLOYER TO SECURE APPROVAL OF A WAGE OR SALARY INCREASE BEFORE MAKING IT IF HE INTENDS TO USE THE INCREASE AS A BASIS FOR AN IMMEDIATE APPLICATION FOR PRICE RELIEF?

A. Wages and salaries, of course, are most closely tied to prices in those cases in which the employer believes that a wage or salary increase will require an immediate price increase. The new standards of approval represent the limits upon the amounts of the wage or salary increases which can be permitted to affect prices, consistently with continued stabilization.

While employers are not prohibited from agreeing to absorb additional increases, it is important that any such agreement should be made with open eyes. Otherwise, widespread wage settlements might be made in excess of the standards for approval without awareness. This would create the dilemma of either imposing severe and often intolerable hardship upon employers in many cases, or of permitting a break in the wage-price policy which would upset the stabilization program.

17. Q. WHAT CLASSES OF WAGE OR SALARY INCREASES ARE GIVEN ADVANCE APPROVAL BY THE PRESIDENT'S EXECUTIVE ORDER ITSELF?

A. The President's executive order gives advance approval to two classes of wage and salary increases: (1) Any increase lawfully made before the date of the order (February 14, 1946), and (2) any increase made at any time in accordance with a governmental recommendation announced before the date of the order.

The National Wage Stabilization Board and the Salary Stabilization Unit in the Treasury Department will give rulings, upon request, on questions as to whether a particular increase under their jurisdiction falls within one of these classes.

18. Q. WHAT ADDITIONAL CLASSES OF WAGE OR SALARY INCREASES ARE GIVEN ADVANCE APPROVAL BY THE NEW WAGE-PRICE REGULATIONS?

A. (1) Increases made by employers who employ no more than eight employees, unless wages for such employees have in the past been determined by a master contract, or by similar or identical contracts, on an industry or area-wide basis, or unless the National Wage Stabilization Board provides for specific approval in the particular type of case.

(2) Increases providing for a maximum of six paid holidays a year;

(3) Increases providing for night shift differentials not exceeding 5 cents for a second shift or ten cents for a third shift;

(4) Increases providing for paid vacations of no more than one week after one year of employment and two weeks after five years of employment.

(5) In addition, the regulations authorize the wage or salary stabilization agencies to issue pattern orders, or other general orders, which will give advance approval to a much larger number of increases. Several such pattern orders have already been issued by the National Wage Stabilization Board. The Board will issue comparable orders as rapidly as possible.

These blanket approvals, of course, do not cover increases in the building and construction industry and other classes of cases (listed in Question 11, above) in which no increase is lawful without specific approval.

19. Q. WILL A SEPARATE APPLICATION FOR APPROVAL HAVE TO BE FILED WITH THE APPROPRIATE AGENCY FOR EVERY WAGE OR SALARY INCREASE NOT FALLING WITHIN ONE OF THE CLASSES WHICH HAS BEEN GIVEN ADVANCE APPROVAL?

A. Yes, if the employer wishes to use it as a basis for seeking an increase in price or rent ceilings or utility rates or for increasing costs to the United States under a Government contract.

However, the classes of increases which are given advance approval will be steadily enlarged as a result of the issuance of pattern orders and similar general orders by the National Wage Stabilization Board and the Salary Stabilization Unit.

20. Q. WHEN A GENERAL ORDER HAS BEEN ISSUED BY THE NATIONAL WAGE STABILIZATION BOARD OR THE SALARY STABILIZATION UNIT GIVING ADVANCE APPROVAL TO A CLASS OF WAGE OR SALARY INCREASES, MAY AN EMPLOYER SECURE APPROVAL ON SPECIAL APPLICATION OF AN INCREASE IN EXCESS OF THE AMOUNT APPROVED BY THE GENERAL ORDER?

A. Ordinarily not. Thus, the Board's pattern orders, once issued, will establish definite limits upon the wage increases which can be approved in the industry or industries covered by the order. Only in special types of situations will an application for approval of an increase in excess of the recognized pattern be entertained.

21. Q. WHERE SHOULD AN APPLICATION FOR APPROVAL OF A WAGE OR SALARY INCREASE BE FILED?

A. No change has been made in the procedure for filing applications for approval or in the scope of authority of the respective wage and salary stabilization agencies.

As was the case before the new executive order, applications for approval of increases subject to the jurisdiction of the National Wage Stabilization Board will continue to be filed with the nearest local office of the Wage and Hour Division of the Department of Labor.

Applications for approval by the Salary Stabilization Unit will be filed as before with the Unit's local regional offices.

Applications for approval of increases for agricultural workers (including those covered by the Lea Amendment) will continue to be filed with the Labor Branch, Production and Marketing Administration, Department of Agriculture, Washington, D. C. or write the appropriate State USDA Wage Board. Applications covering so-called Lea Amendment employees will be transmitted by the Department of Agriculture to the Economic Stabilization Director for his decision.

22. Q. WILL APPLICATIONS FOR APPROVAL OF WAGE OR SALARY INCREASES BE ACTED ON PROMPTLY?

A. Yes. Both the National Wage Stabilization Board and the Salary Stabilization Unit will authorize their regional offices throughout the country to make final rulings on most applications without sending them to Washington. The national offices of these agencies are prepared to act with all possible speed on the few cases requiring their attention. The Board and the Salary Stabilization Unit will streamline the procedures for submitting applications to the fullest possible extent.

Most important, the pattern orders and other general orders which will give advance approval for increases in specific industries and areas and for other classes of increases will wholly eliminate the need for special application in the classes of cases which the orders cover. Thus the agencies will be able to act more rapidly on the remaining cases.

23. Q. WHAT STANDARDS WILL BE APPLIED BY THE WAGE AND SALARY STABILIZATION AGENCIES IN PASSING UPON APPLICATIONS FOR APPROVAL OF WAGE OR SALARY INCREASES?

A. The executive order and the new regulations issued by the Stabilization Director establish five groups of standards for the approval of wage or salary increases. The wage and salary stabilization agencies may approve:

(1) Increases consistent with a general pattern of wage or salary adjustments which has been established in a particular industry, or in an industry or related industries in a particular local labor market, between August 18, 1945, and February 14, 1946 (See Questions 24 to 27, below)

(2) Increases necessary (where no such pattern was established) to eliminate a gross inequity between wage rates or salaries in related industries, related plants in the same industry, or related job classifications in the same plant. (See Questions 28 and 29 below)

(3) Increases necessary (where no such pattern was established) to make the average increase in wage or salary rates of employees in the appropriate unit since January 1, 1941, equal the percentage increase in the cost of living between January 1941 and September 1945 (namely, 33 per cent). (See Questions 30 and 31, below)

(4) Increases necessary to correct substandard rates. (See Question 32, below)

(5) Increases falling within the wartime wage standards in effect on August 17, 1945 (except the standards relating to "rare and unusual" cases) which were used in passing on applications for approval of wage or salary increases. (See Question 33, below)

24. Q. DOES THE NEW "PATTERN" STANDARD MEAN THAT ANY WAGE INCREASE UP TO 18½ CENTS AN HOUR, OR SOME SIMILAR FIGURE, WILL BE APPROVED?

A. No. The executive order does not proceed upon the basis that any nation-wide pattern of wage or salary increases has been established by recent wage settlements. The patterns which it recognizes are patterns for particular industries, or for particular industries or related industries within a particular labor market area. These patterns vary from industry to industry and from locality to locality. In many industries and localities no post-V-J Day pattern was established before the date of the order. In these industries and localities, the principal standards of approval of wage and salary increases will be the "gross inequity" standard and the "cost-of-living" standard.

25. Q. TO WHAT EXTENT WILL "PATTERN" INCREASES BE APPROVED WHERE THERE HAVE BEEN PREVIOUS INCREASES MADE BY THE EMPLOYER SINCE AUGUST 18, 1945?

A. The "pattern" referred to in the executive order and regulations is a pattern of wage rate increases since V-J Day.

If a 16 cent increase is established as the "pattern" in a particular industry, and if a particular firm covered by the pattern had already given only a 10-cent general increase since August 18, 1945, the maximum additional adjustment approvable would be six cents. There would not normally be offset, however, adjustments to individual job classifications to eliminate intra-plant inequities, merit or length of service increases, so-called fringe adjustments (such as night shift differentials, paid holidays and paid vacations), or other non-basic adjustments.

The wage or salary stabilization agencies will determine in individual cases which post-V-J Day adjustments will be offset.

26. Q. HOW WILL THE NATIONAL WAGE STABILIZATION BOARD DETERMINE WHETHER A "GENERAL PATTERN" OF WAGE ADJUSTMENTS HAS BEEN ESTABLISHED IN A PARTICULAR INDUSTRY SINCE V-J DAY AND WHAT CONSTITUTES THE PATTERN?

A. The answer to this question will depend on the particular circumstances presented and cannot be given by any rule of thumb. The Board will consider the adjustments actually made since V-J Day (unless they were only interim settlements with further adjustments contemplated), the extent to which they were made by companies which in the past have been wage leaders, and similar factors.

In some cases the dominant pattern will be found to have developed in terms of percentages, in other cases in cents per hour.

In determining what companies are to be considered as within the pattern, primary regard will be given, in the absence of special circumstances, to the past practice of the particular company in making wage adjustments.

27. Q. HOW WILL THE NATIONAL WAGE STABILIZATION BOARD DETERMINE WHETHER A "GENERAL PATTERN" OF WAGE ADJUSTMENTS HAS BEEN ESTABLISHED IN A PARTICULAR LOCAL LABOR MARKET AREA SINCE V-J DAY AND WHAT CONSTITUTES THE PATTERN?

A. This question again cannot be answered by a rule of thumb. The Board will examine the pattern of actual adjustments in the area involved. In determining what companies are to be considered as within the pattern, primary regard, again, will be given to past practices in making wage adjustments. Thus a particular locality pattern will ordinarily be limited to a particular industry or group of related industries within the locality. Only rarely have wage adjustments in all industries in a locality followed each other so closely as to justify a decision that all such industries are to be considered as related and included within the same pattern.

28. Q. HOW WILL THE NATIONAL WAGE STABILIZATION BOARD DETERMINE WHAT CONSTITUTES A "GROSS INEQUITY" IN WAGE RATES AS BETWEEN RELATED INDUSTRIES?

A. Again no rule of thumb can be stated. The Board will have first to decide whether the two industries in question can be considered to be related. One type of relationship would be reflected in such factors as the similarity or interdependence of products, or management or union identity. Another type of relationship would be a similarity of wage rate structures or a parallelism of job classifications even between two industries selling their products in different markets. A geographical relationship may also be relevant.

The Board must also determine whether a particular disparity in wage rates or wage adjustments as between related industries constitutes a "gross inequity." This determination will call for the weighing of a variety of factors. Consideration will be given to the extent to which the take-home pay of employees in the respective industries has been reduced as a result of the transition to a peacetime economy.

29. Q. HOW WILL THE NATIONAL WAGE STABILIZATION BOARD DETERMINE WHAT CONSTITUTES A "GROSS INEQUITY" IN WAGE RATES AS BETWEEN RELATED PLANTS IN THE SAME INDUSTRY OR LOCALITY OR AS BETWEEN RELATED JOB CLASSIFICATIONS IN THE SAME PLANT?

A. Standards for deciding these questions have been developed under previous executive orders and are well-established.

30. Q. HOW DOES THE NEW COST-OF-LIVING STANDARD DIFFER FROM THE COST OF LIVING STANDARD IN THE PREVIOUS EXECUTIVE ORDER?

A. Under the previous executive order increases were approved only to the extent that the increase in average straight time hourly earnings in the appropriate unit since January 1, 1941, had fallen short of 33 percent. The new executive order provides for approval of increases in basic wage or salary rates if hourly rates in the appropriate unit have not risen 33 percent since January 1, 1941. The application of this standard in the case of employees on other than hourly rates, such as piecework, will be worked out by the National Wage Stabilization Board on a case-by-case basis.

31. Q. WHAT IS THE IMPORTANCE OF THE NEW COST-OF-LIVING STANDARD?

A. The cost-of-living standard will be the principal basis for approval of wage or salary increases for employees in industries in which no pattern of adjustment was established between August 18, 1945, and February 14, 1946, and which are not found to be related to any industry in which such a pattern was established.

32. Q. HOW WILL THE STANDARD WHICH PROVIDES FOR APPROVAL OF WAGE OR SALARY INCREASES NECESSARY TO CORRECT SUBSTANDARDS OF LIVING BE APPLIED?

A. Increases up to 55 cents per hour were given advance approval under the old executive order. Increases up to 65 cents an hour have been approved in individual cases. The National Wage Stabilization Board will determine the extent to which approval of increases to correct substandards of living should hereafter be given in advance or on a case-by-case basis.

The Board will continue to approve adjustments necessary to maintain proper differentials between related job classifications after "substandard" increases have been made.

33. Q. WHY DO THE NEW REGULATIONS STILL PROVIDE FOR APPROVAL OF WAGE OR SALARY INCREASES CONFORMING TO THE WARTIME WAGE STANDARDS AS ADMINISTERED BEFORE AUGUST 18, 1945?

A. The wartime standards are largely superseded by the new standards. However, these standards were developed in great detail and made provision for a variety of special problems, such as fringe adjustments, merit increases, bonus plans, correction of intraplant inequities and the like, which may still arise. In many of these cases, the old standards are still appropriate.

34. Q. DO THE NEW STANDARDS FOR APPROVAL APPLY TO ALL WAGE AND SALARY INCREASES?

A. No. Since V-J Day, direct wage controls have been maintained over wage adjustments in the building and construction industry and the standards for approval of wage increases in that industry have remained as they were prior to V-J Day. Special considerations affecting wage levels in the building and construction industry have been recognized throughout the stabilization program as making necessary the use of special standards for approval of wage adjustments.

The Wage Adjustment Board, which includes employer and employee representatives familiar with the structure and the problems of the building and construction industry, will continue to act on applications for approval of wage adjustments in that industry.

The wage and salary stabilization agencies also have authority, with the approval of the Economic Stabilization Director, to establish special standards for approval, which may be more restrictive than those specified in the Executive Order, if the need for establishing such standards should arise with respect to any other classes of cases.

35. Q. WHY DO THE NEW EXECUTIVE ORDER AND REGULATIONS NOT REFER TO THE OLD "BOTTLENECK" STANDARD?

A. It is not expected that special action will be necessary, under the new standards of approval of wage increases, for the purpose of removing impediments to the recruitment of labor in "bottleneck" industries. If this expectation should prove mistaken, any necessary action can be taken under the provision of the new executive order which authorizes the wage or salary stabilization agencies, with the approval of the Economic Stabilization Director, to establish special standards for approval of wage or salary increases to be applied in particular industries or classes of cases.

36. Q. HOW WILL THE NEW STANDARDS FOR APPROVAL OF SALARY INCREASES BE APPLIED BY THE SALARY STABILIZATION UNIT?

A. So far as practicable, by issuance of general orders which will make applications for specific approval unnecessary. The Unit is now preparing a general regulation which will give advance approval to increases for most salaried employees corresponding to increases authorized by any "pattern" order issued by the National Wage Stabilization Board.

Cases which require special application will be decided by the Unit on the basis of standards similar to those applied by the National Wage Stabilization Board with respect to the wage or salary increases subject to its jurisdiction.

37. Q. HOW DO THE NEW EXECUTIVE ORDER AND REGULATIONS APPLY IN THE CASE OF EMPLOYERS WHO ARE NOT SUBJECT TO PRICE OR RENT CEILINGS?

A. The executive order and the regulations apply to wage or salary increases made by employers who are public utilities or common carriers and by employers who furnish products or services under contract with federal procurement agencies. They also apply to increases made by employers subject to price or rent ceilings which are suspended. Employers who, at the time of making an increase, do not fall within any of these categories and are not now subject to price or rent ceilings may, of course, wish to protect themselves against the possibility that making an unapproved increase will operate as a waiver at some future time if price or rent ceilings in their industry or area should be restored. They can secure this protection by filing the statement referred to in the answer to Question 14.

38. Q. HOW DO THE NEW EXECUTIVE ORDER AND REGULATIONS APPLY IN THE CASE OF WAGE OR SALARY INCREASES MADE IN ACCORDANCE WITH ARBITRATION AWARDS OR RECOMMENDATIONS OF PUBLICLY-APPOINTED FACT-FINDING PANELS, ANNOUNCED AFTER THE DATE OF THE ORDER?

A. The executive order provides that such increases must be approved by the appropriate wage or salary stabilization agency before being put into effect, unless the employer is willing to waive any right to use the increase as a basis for seeking an increase in price or rent ceilings or utility rates or for increasing costs to the United States under a Government contract. The regulations, however, authorize the employer to file the statement referred to in the answer to Question 14, in lieu of such a waiver.

39. Q. WILL THE PROVISIONS OF THE NEW ORDER AND REGULATIONS MAKE POSSIBLE THE EFFECTIVE STABILIZATION OF WAGES AND SALARIES?

A. The best judgment of the stabilization agencies is that they will.

The President's executive order and the regulations provide unqualifiedly that unapproved wage or salary increases may not, for the duration of the stabilization laws, be reflected in higher prices or in higher costs under Government contracts.

Through the issuance of pattern orders for particular industries, or particular industries within a locality, definite limits to the amount of approved increases, known to all parties, will be established. These limits will cover a steadily increasing number of employees.

In cases in which these limits have not been made known by general order, the provisions for prior approval, where the increase is to be used as a basis for an immediate application for price relief, will make possible clear understanding of the stabilization limits before the increase is made.

The new standards of approval are fair to employees and will be fairly administered. In these circumstances labor can reasonably be asked to accept these standards as measuring the extent to which wage and salary increases can be permitted to affect prices, so long as the need for the stabilization laws continues.

## Some QUESTIONS and ANSWERS about PRICES

### Employers' Applications for Price Relief

40. Q. MAY OPA ADVISE AN EMPLOYER WHO IS ENGAGED IN WAGE NEGOTIATIONS WHAT PRICE INCREASE HE MIGHT BE ENTITLED TO IF HE SHOULD MAKE A CERTAIN WAGE INCREASE AND SECURE APPROVAL OF IT?

A. No. If OPA is to achieve its objective of speeding production wherever this can be done by prompt and fair price adjustments, OPA must not become entangled in wage negotiations. If OPA gave advance opinions to employers, it would quickly find itself a third party - and in the middle - in almost every wage bargain in the nation. This would destroy both orderly collective bargaining and fair and effective price administration. OPA, of course, will always be glad to tell employers which pricing standards are applicable to their cases.

41. Q. WOULD THE ANSWER TO THE ABOVE QUESTION BE DIFFERENT IF THE EMPLOYER HAD AGREED TO A PARTICULAR WAGE INCREASE, BUT HAD NOT YET SECURED APPROVAL OF IT?

A. No. However, pending approval of a wage increase for which application has been made, an employer or his industry can present the facts to OPA, and OPA can then take steps to expedite action on the application as soon as the wage increase has been approved. In advance of approval of wage increase, however, OPA can neither authorize a price increase nor determine or discuss how much it might amount to.

42. Q. IF AN EMPLOYER HAS MADE AN APPROVED WAGE INCREASE OR HAS APPLIED TO A WAGE STABILIZATION AGENCY FOR APPROVAL, HOW SHOULD HE APPLY FOR A PRICE INCREASE?

A. If he belongs to an industry for which an OPA Industry Advisory Committee has been organized -- and most industries have them -- he should bring his case to the attention of that committee. The Committee will then consult with OPA if there appears to be ground for an industry-wide price increase. OPA's experience shows that this is the best way for sound price decisions to be reached quickly.

43. Q. WHAT SHOULD AN EMPLOYER DO WHO DOES NOT BELONG TO AN INDUSTRY WHICH HAS AN INDUSTRY ADVISORY COMMITTEE?

A. He may write to OPA directly, requesting consideration of an increase in the ceilings of the products which his industry makes. If OPA believes that price action may be necessary in his industry, it will act quickly to appoint an advisory committee for that industry and consult with it before making final price determinations. It will take interim action without awaiting the action by the committee, if this appears necessary. Moreover, OPA will advise the employer if he is eligible for individual price relief.

44. Q. MAY AN EMPLOYER, WHO HAS MADE AN APPROVED WAGE INCREASE APPLY FOR PRICE RELIEF UNDER A REGULATION COVERING HIS PRODUCTS WHICH AUTHORIZES CEILING PRICE ADJUSTMENTS FOR INDIVIDUAL SELLERS?

A. Yes. However, OPA will give industry price actions priority over individual price actions, except when the latter are being used in place of necessary industry-wide actions or when they are required to meet a supply emergency or to encourage the production of low-priced products. Price relief can be extended to a large number of sellers more promptly through a single industry-wide action than through a large number of individual actions.

### The Basis of OPA Action

45. Q. DOES THE FACT THAT AN EMPLOYER HAS MADE AN APPROVED WAGE INCREASE ASSURE HIM THAT HE WILL SECURE A PRICE INCREASE?

A. No. Many employers will require no price increase whatever. OPA has always expected manufacturers, wholesalers and retailers to absorb cost increases to the extent of their capacity to do so without assuming an unreasonable burden. Without such cost absorption, effective price control would be impossible, since every price increase would lead to a succession of further increases, thereby setting the inflationary cost-price spiral in motion.

46. Q. HOW DOES OPA DETERMINE WHETHER AN EMPLOYER IS REASONABLY ABLE TO ABSORB AN APPROVED WAGE INCREASE WITHOUT A PRICE INCREASE?

A. OPA has developed standards to determine when prices must be increased as a consequence of cost increases or other developments which decrease earnings. These standards are generally applied on an industry basis. However, the regulations covering many commodities also authorize individual seller adjustments.

47. Q. IN VIEW OF THE NUMBER OF CASES LIKELY TO ARISE UNDER THE NEW WAGE-PRICE POLICY, HOW WILL OPA ASSURE SPEEDY ACTION IN APPLYING ITS STANDARDS GOVERNING PRICE RELIEF?

A. In addition to giving priority to industry-wide hardship cases, OPA is developing a number of short-cuts in procedure, such as:

- (1) Analysis and adjustment of most recently available data to determine current earnings position, in preference to a new accounting survey.
- (2) Where a new survey is unavoidable, using a streamlined sample and survey form, requesting answers by telegram where possible.
- (3) Where the complexity or major importance of an industry makes more extended study necessary, a rough-out interim action may be taken on a conservative basis to afford relief, pending further study.
- (4) Where the size of company, type of product and relative unimportance in relation to the total economy permit automatic pricing by a simple formula, provision will be made for self-computation and filing of new prices in the Regional Offices.

OPA will also continue to follow its decontrol policy wherever possible to cut down the number of industries and products subject to price ceilings.

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A. No. If OPA is to achieve its objective of speeding production wherever this can be done by prompt and fair price adjustments, OPA must not become entangled in wage negotiations. If OPA gave advance opinions to employers, it would quickly find itself a third party - and in the middle - in almost every wage bargain in the nation. This would destroy both orderly collective bargaining and fair and effective price administration. OPA, of course, will always be glad to tell employers which pricing standards are applicable to their cases.

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## CORRECTION!

\*Information About the Government's Wage-Price Policy,\* INF-B2329(3-46), Page 16, Questions and Answers 42 and 43 should read as follows:

42. Q. IF AN EMPLOYER HAS MADE AN APPROVED WAGE INCREASE OR HAS APPLIED TO A WAGE STABILIZATION AGENCY FOR APPROVAL, HOW SHOULD HE APPLY FOR A PRICE INCREASE?

A. He may write to OPA directly requesting consideration of an increase in the ceilings of the products which his industry makes. If OPA believes that price action may be necessary in his industry, it will immediately consult with the advisory committee appointed for that industry before making final price determinations. If an industry advisory committee has not been appointed for that industry, OPA will act quickly to appoint one and consult with it before making final price determinations unless some other more expeditious method of industry consultation can be obtained. It will take interim action without awaiting the action by the committee, if this appears necessary. Moreover, OPA will advise the employer if he is eligible for individual price relief.

43. Q. DOES OPA ALREADY HAVE INDUSTRY ADVISORY COMMITTEES IN MOST INDUSTRIES?

A. Yes. OPA has organized 623 industry advisory committees.

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A. In addition to giving priority to industry-wide hardship cases, OPA is developing a number of short-cuts in procedure, such as:

- (1) Analysis and adjustment of most recently available data to determine current earnings position, in preference to a new accounting survey.
- (2) Where a new survey is unavoidable, using a streamlined sample and survey form, requesting answers by telegram where possible.
- (3) Where the complexity or major importance of an industry makes more extended study necessary, a rough-out interim action may be taken on a conservative basis to afford relief, pending further study.
- (4) Where the size of company, type of product and relative unimportance in relation to the total economy permit automatic pricing by a simple formula, provision will be made for self-computation and filing of new prices in the Regional Offices.

OPA will also continue to follow its decontrol policy wherever possible to cut down the number of industries and products subject to price ceilings.

OPA's Industry Earnings Standard

48. Q. WHEN DOES OPA'S BASIC STANDARD GOVERNING PRICE INCREASES, THE "INDUSTRY EARNINGS STANDARD," REQUIRE OPA TO INCREASE AN INDUSTRY'S CEILINGS?

A. Opa is required to increase ceiling prices for an industry whenever the prices of all its products will not enable the industry to earn the same rate of return, before income taxes, on its present net worth which it averaged on its net worth in a representative peacetime period - usually 1936-39. For example, an industry which is now earning much more on its net worth than it earned in its base period may be well able to pay an approved wage increase and still have a higher rate of earnings than it had in 1936-39. For such an industry, and they are in the majority, no increase would be required under the industry earnings standards. This is not a new standard. It has been used since 1942.

49. Q. DOES THE INDUSTRY EARNINGS STANDARD MEAN THAT AN INDUSTRY WILL NOT BE ALLOWED TO EARN MORE THAN IT AVERAGED IN 1936-39?

A. No. The use of the industry's 1936-39 average profits in the standard has always provided a floor rather than a ceiling for industry profits. Under price control most industries have consistently earned far more than they averaged in 1936-39.

50. Q. DOES THE PRESIDENT'S EXECUTIVE ORDER REQUIRE OPA TO USE ITS INDUSTRY EARNINGS STANDARD IN DECIDING WHETHER AN INDUSTRY WHICH HAS MADE AN APPROVED WAGE INCREASE IS IN HARDSHIP REQUIRING PRICE RELIEF?

A. Yes. The Order directs OPA to grant price adjustments to any industry not operating at temporary low volume which, as a result of an approved wage or salary increase, would not earn an average rate of profit equal, as nearly as may be, to the rate of return which the industry earned in its peacetime base period. The amount of the adjustment must be sufficient to enable the industry to average this earnings rate over the twelve months following the adjustment, except under exceptional circumstances. Moreover, the industry's ceilings must not leave it in a current over-all loss position.

How Will OPA Appraise the Earnings Prospects of Industries?

51. Q. IN DECIDING WHETHER A PRICE INCREASE IS CALLED FOR BY THE NEW EXECUTIVE ORDER, WILL OPA CONSIDER AN INDUSTRY'S FUTURE PROSPECTS AS WELL AS THE EARNINGS IT REPORTS?

A. Yes. The President's Executive Order makes it plain that, in considering whether to increase an industry's ceilings as a consequence of an approved wage or salary increase, OPA must consider the industry's earnings position over the 12 months following OPA's action. Under present changing conditions, OPA would follow this rule in applying the industry earnings standard to any case, regardless of the nature of the cost increases involved.

52. Q. WHY HAS THE EXECUTIVE ORDER REQUIRED THAT OPA, IN PASSING ON A REQUEST FOR HIGHER CEILINGS, SHOULD CONSIDER THE INDUSTRY'S FUTURE PROSPECTS?

A. In this transition period, past earnings experience is no longer a reliable guide to what an industry will earn over the next 12 months. Nearly all industries have the prospect of a marked improvement in costs and earnings over their present level during the next 12 months. To disregard this fact would be to measure the amount of price increases from the bottom of the trough - through which most industries are now passing -- between high wartime profits and production and high peacetime profits and production. This would result in price increases much higher than those industries actually need. Such high price increases would endanger the economic stability of the whole country. Moreover, if it were to grant them, OPA would be treating industries which had good prospects for earnings improvement more liberally than those which did not.

53. Q. WHAT WOULD OPA DO IN CASE AN INDUSTRY SHOWED NO PROSPECT WHATSOEVER OF IMPROVEMENT IN EARNINGS OVER THE NEXT YEAR?

A. In such a case, OPA would increase prices to the full extent by which the industry's reported earnings, adjusted to a current basis, fell short of its average base-period rate of return.

54. Q. IN APPRAISING AN INDUSTRY'S FUTURE PROSPECTS, WILL OPA CONSIDER ONLY THE FAVORABLE FACTORS?

A. No. OPA will make a realistic appraisal, giving weight to the unfavorable factors as well as the favorable.

55. Q. IN MAKING THE APPRAISAL OF FUTURE TRENDS, HOW WILL OPA USE THE INDUSTRY'S PAST REPORTED EARNINGS?

A. OPA will proceed on the basis of the best profit and loss statement for the industry already available or obtainable within a reasonably short period of time. That profit and loss statement will be subject to two sets of adjustments. First, OPA will adjust it so that it will reflect the true current earnings position of the industry. Second, OPA will make such additional adjustments as may be necessary to reflect the net change in earnings position to be anticipated over the coming year.

56. Q. WHAT ADJUSTMENTS WILL OPA MAKE IN AN INDUSTRY'S EARNINGS STATEMENT TO REFLECT CHANGES IN THE INDUSTRY'S POSITION WHICH HAVE ALREADY TAKEN PLACE OR ARE ANTICIPATED?

A. In making adjustments to reflect the industry's true current position, OPA will, in addition to reflecting the cost of approved wage and salary increases and materials price increases which are being authorized, eliminate seasonal, non-recurrent, or other non-representative factors which, though present in the period covered by the statement, are not a factor in the industry's current situation.

For example, losses resulting from a strike would be eliminated. So, too, would revenue resulting from termination settlements on war contracts. In making adjustments for the future, OPA will reflect, on a reasonably conservative basis, factors such as increase in labor efficiency; reductions in overtime where this is likely; reductions or increases in materials prices; changes in volume and in product and sales mix; and special factors which may be peculiar to a particular industry such as new technological developments or the installation of new facilities.

57. Q. IS IT POSSIBLE FOR OPA TO MAKE ACCURATE JUDGMENTS AS TO CHANGES IN THE VARIOUS FACTORS WHICH WILL AFFECT AN INDUSTRY'S EARNINGS POSITION?

A. Judgments as to future developments, of course, can be neither precise nor certain. However, industry itself cannot operate without making such judgments and, on the average, it does so successfully. OPA will seek assistance and counsel of its industry advisory committees. In view of the prospects for high-level production, sales, and employment, which only economic defeatists would attempt to deny, it is hard to see how reasonably conservative appraisals can result in injury to the industries concerned.

58. Q. CAN OPA MAKE THE NECESSARY ADJUSTMENTS AND APPRAISALS PROMPTLY?

A. Yes. OPA's decisions must be prompt. The necessary data will not require extended accounting investigations. With industry cooperation, it should be possible to reach firm decisions promptly.

59. Q. WHERE OPA GRANTS PRICE INCREASES TO AN INDUSTRY WHOSE EARNINGS CAN BE EXPECTED TO IMPROVE DURING THE YEAR, WON'T THAT INDUSTRY, IN EQUALLING ITS BASE-PERIOD RATE ON THE AVERAGE FOR THE WHOLE YEAR, ACTUALLY BE EXCEEDING ITS BASE-PERIOD EARNINGS RATE IN THE LATTER PART OF THE YEAR?

A. Yes. Most industries receiving price increases after an appraisal of earnings improvement will be making profits at rates materially higher than their base-period rates by the end of the year. However, OPA would not expect to reduce ceilings because they were yielding such good profits. The ceilings would have been fixed in conformity to the President's executive order and would not represent errors in judgment. OPA has never expected that most industries would - or should - be held to their 1936-39 earnings rates.

60. Q. WHAT WILL OPA DO IF ITS APPRAISAL OF AN INDUSTRY'S PROSPECTS SHOULD TURN OUT TO BE WRONG?

A. OPA is prepared to review pricing decisions promptly if in any case later developments should raise substantial doubt whether the industry earnings standard would be satisfied by the ceilings which OPA had set. Should OPA find that the ceilings would not yield earnings as high as those contemplated, a further price increase would, of course, be promptly made. In such a case OPA could not, however, give a special "bulge" increment of increase to make up any deficiency which might have been incurred during the interval.

61. Q. MAY OPA, RELYING ON AN INDUSTRY'S PROSPECTS FOR IMPROVEMENT IN EARNINGS, DENY A PRICE INCREASE TO THE INDUSTRY THOUGH IT IS CURRENTLY IN THE RED?

A. No, unless the industry is operating at temporary low volume. The President's executive order is specific on this point. OPA must increase the industry's ceilings to the point where they will cover the industry's current total costs even though the Price Administrator may be convinced that, without any price increase whatsoever, improvement in the industry's position over the year would result in its equaling its base-period return for the year as a whole.

#### "Reconversion Industries"

62. Q. WHY HAS THE PRESIDENT'S EXECUTIVE ORDER PROVIDED FOR THE SPECIAL TREATMENT OF INDUSTRIES OPERATING AT "TEMPORARY LOW VOLUME", SUCH AS THE "RECONVERSION INDUSTRIES"?

A. If industries operating at temporary low volume were granted ceilings sufficient to cover their high current costs, the resulting price increases would be abnormally, sometimes fantastically, high. In a free market, a manufacturer who has to produce for a time at low volume can seldom hope to cover his costs. This problem is of special importance today because many manufacturers who converted from war work to the production of consumer goods such as household appliances and automobiles may still be obliged, chiefly because of temporary manpower and materials shortages, to operate for a short time longer at subnormal volume.

63. Q. HOW ARE WAGE INCREASES HANDLED FOR TEMPORARY LOW-VOLUME "RECONVERSION INDUSTRIES" UNDER OPA'S RECONVERSION PRICING FORMULA?

A. OPA has priced the products of most reconversion industries on the basis of its "reconversion pricing formula." This formula bases ceilings on 1941 costs plus subsequent legal increases in basic wage rates and materials prices plus the industry's average 1936-39 margin of profit on sales. This formula can now be applied to reflect the new increases in wage rates and, as their extent can be reliably determined, the resulting increases in materials prices.

64. Q. WILL A RECONVERSION INDUSTRY WHOSE PRODUCTS HAVE BEEN PRICED UNDER THE RECONVERSION PRICING FORMULA BE ABLE TO EQUAL ITS PEACETIME EARNINGS?

A. Yes. As such an industry pushes its production up to and beyond its peacetime levels it will escape most of the "bulge" costs of the period of low-volume operations and be able to earn substantially more than its base-period rate of return on net worth, as most other industries will be doing in the course of the year. Once bulge costs are eliminated, the 1936-39 margin on sales allowed by the reconversion formula will, of course, yield more than 1936-39 profits on net worth when applied to the much higher volume of sales to which most industries can now look forward.

65. Q. WILL SUCH AN INDUSTRY'S CEILING PRICES ALWAYS BE GOVERNED BY THE RECONVERSION PRICING FORMULA?

A. No. If a reconversion industry has operated at or close to 1941 volume for a reasonable period of time, say three months, OPA will be able to apply its regular pricing standards and procedures to the industry's actual reported costs and earnings, instead of using its reconversion pricing formula, to determine whether the industry is entitled to an increase in its ceilings. Moreover, if the process of reconversion should be protracted to such an extent as to work special hardship on all or part of an industry, ceilings established under the formula can be re-examined and needed relief authorized.

66. Q. HOW WILL OPA TREAT AN INDUSTRY WHICH CONTINUED TO MAKE SOME OF ITS PEACETIME PRODUCTS THROUGHOUT THE WAR AND HAS ONLY RECENTLY RECONVERTED TO THE PRODUCTION OF THE REST OF ITS PEACETIME LINE?

A. OPA will, so far as practicable, apply its industry earnings standard to so much of the industry's operations as are not covered by the reconversion formula and rely upon that formula to maintain ceilings on reconversion products at a proper level.

#### Depressed Industries

67. Q. HOW WILL OPA TREAT AN INDUSTRY WHICH IS OPERATING BELOW ITS BASE-PERIOD VOLUME AND IS LIKELY TO CONTINUE TO DO SO INDEFINITELY RATHER THAN TEMPORARILY?

A. In any such exceptional case, OPA would authorize ceilings which would return the industry its current direct costs, plus overhead costs calculated on the basis of its last normal volume, plus its base-period margin of profit on sales.

68. Q. HOW WILL OPA DETERMINE THE NEED FOR PRICE INCREASES OF INDUSTRIES TO WHICH IT HAS PREVIOUSLY FOUND IT IMPOSSIBLE TO APPLY THE BASE-PERIOD EARNINGS TEST?

A. There are some industries whose base period earnings were depressed, and as a consequence OPA has not used those earnings as the basis for granting price increases. Instead, OPA has increased ceilings whenever these failed to assure profitable operation for the bulk of the output. This standard can now be applied on a prospective basis, so that profitable operation over the period of the ensuing year will be assured to the firms producing the bulk of the industry's output.

#### Action in Supply and Other Product Standards Cases

69. Q. WILL OPA, AS A CONSEQUENCE OF AN APPROVED WAGE INCREASE, EVER RAISE THE CEILINGS OF A PARTICULAR PRODUCT WHILE THE INDUSTRY MAKING THE PRODUCT IS EARNING MORE THAN IT DID IN THE BASE PERIOD?

A. Yes. OPA recognizes several situations in which, as a consequence of approved wage or other cost increases, it will raise the prices of particular products made by a prosperous multi-product industry. Perhaps the most frequent examples of such action are cases of price increases where existing ceilings are to interfere with the maintenance or expansion of needed production.

There are special statutory requirements governing increases in ceilings for particular commodities such as meats, fish, and products made from cotton or cotton yarn. Moreover, OPA has recognized a legal obligation to increase the ceilings of any product of a multi-product industry which fails to cover the out-of-pocket costs of the bulk of the output. OPA also is prepared to increase ceilings which do not cover average total costs for the producing industry where failure to do so may interfere with effective transition to a peacetime economy.

70. Q. WILL OPA TAKE APPROVED WAGE AND SALARY INCREASES INTO ACCOUNT IN DECIDING WHETHER AN INCREASE IN CEILINGS IS NEEDED IN ORDER TO EXPAND THE PRODUCTION OF NEEDED ITEMS?

A. Yes. OPA will take prompt action to avoid any interference with necessary production which may be found to result from the impact of approved increases in wages or salaries.

71. Q. WILL OPA MAKE AN APPRAISAL OF THE PRODUCERS' PROSPECTS FOR EARNINGS IMPROVEMENT IN DECIDING WHETHER TO INCREASE PRICES FOR SUPPLY PURPOSES?

A. While some consideration of the prospects of any industry may be appropriate in such supply cases, OPA recognizes the necessity of establishing ceilings at levels which at once will be sufficiently high to meet immediate supply needs.

72. Q. WILL OPA EVER INCREASE THE CEILINGS OF PRODUCTS WHICH ARE NOT ESSENTIAL OR FOR WHICH NO SHORTAGE EXISTS?

A. Yes. OPA will continue to apply its minimum and transition product standards. However, since the application of these standards usually requires cost studies which demand much time and attention from OPA's limited staff, OPA's administrative policy will be to defer actions on the basis of these standards until it is sure that their handling will not interfere with the handling of actions necessary to eliminate hardship to industries in impaired earnings positions, or to assure needed production, or to satisfy special statutory requirements.

#### How OPA Will Handle Individual Adjustments

73. Q. WILL OPA CONSIDER APPROVED WAGE AND SALARY INCREASES IN PASSING UPON INDIVIDUAL ADJUSTMENTS?

A. Yes. However, as in the case of industry actions under the product standard, OPA may be obliged to establish priority rules for the processing of individual applications to make sure that cases not involving over-all hardship or supply emergencies do not interfere with more essential programs.

74. Q. WILL OPA GIVE PRIORITY TO INDIVIDUAL ADJUSTMENT ACTIONS WHERE THERE IS A SHORTAGE IN SUPPLY?

A. Yes. Where industry-wide action is insufficient to meet pressing supply needs, OPA will give first priority to individual adjustment actions which have this objective.

75. Q. WILL OPA GIVE PRIORITY TO INDIVIDUAL ADJUSTMENT ACTIONS WHERE THE APPLICANT IS IN OVER-ALL HARSHIP?

A. Yes. However, OPA will have to be satisfied that the applicant's hardship will not be relieved by any industry-wide action recently taken or pending at the time the application is being considered.

76. Q. WILL OPA APPRAISE THE EARNINGS PROSPECTS OF APPLICANTS FOR INDIVIDUAL ADJUSTMENTS?

A. Yes, so far as this is practicable. It must be recognized that such appraisal cannot always be made with the same degree of assurance in the case of individual firms as in the case of industries. However, some adjustments can certainly be made for cost and earnings trends which are common to the industry. Indeed, unless this were done, a serious discrepancy might develop between the level of ceilings fixed by industry action and those set by individual adjustment.

77. Q. WILL OPA CONTINUE TO PROCESS INDIVIDUAL ADJUSTMENT APPLICATIONS BY RECONVERTING MANUFACTURERS?

A. Yes. Some amendments in the existing supplementary orders covering such adjustments may be necessary to bring them into conformity with the new wage-price policy.

78. Q. HOW WILL OPA HANDLE OTHER INDIVIDUAL ADJUSTMENT APPLICATIONS?

A. Individual adjustment applications which do not have priority will be processed as rapidly as time available for staff purposes permit. If a log-jam of serious proportions should begin to develop for any particular commodity, OPA will consider alternative solutions such as the authorization of "automatic" repricing, or the issuance of increase factors to be added by the applicants.

#### Interim Relief and "Automatic" Pricing

79. Q. WHAT WILL OPA DO IN THE CASE OF MANUFACTURERS WHO MAKE A LARGE NUMBER OF MISCELLANEOUS PRODUCTS AND WHO DO NOT FALL WITHIN ANY CLEARLY DEFINED INDUSTRY?

A. OPA has created a special "task force" to deal with this problem which has recently become acute in the steel fabricating field where there are many such manufacturers. Interim relief, where needed, will be announced shortly for those fabricators whose cases are not being handled under a group of industry actions now being issued.

80. Q. WILL OPA EVER ALLOW MANUFACTURERS TO CALCULATE THE AMOUNT OF THEIR OWN CEILING PRICE INCREASES?

A. Yes. As was pointed out above, "automatic" pricing of this sort is one of the methods which OPA will use to streamline price actions where this is necessary.

81. Q. WHY DOES NOT OPA USE THE SELF-PRICING METHOD FOR ALL INDUSTRIES?

A. OPA has already used this method to a considerable extent in the pricing of new articles and to a lesser extent in authorizing price adjustments. There are many commodity fields, however, where the need for price uniformity precludes its use. Moreover, experience shows that the procedure is open to serious abuse and mistakes (often by sellers whose good faith cannot be questioned). While, therefore, the method cannot be generally employed, there are certain fields where its use, under limited supervision, will give rise to no inflationary dangers. OPA will be expanding the method's use in those fields.

Questions and Answers About Distributors' Prices

82. Q. WILL OPA APPLY ITS STANDARDS TO DETERMINE WHETHER TO INCREASE CEILINGS FOR RETAILERS, WHOLESALERS AND OTHER DISTRIBUTORS IF THEY MAKE APPROVED WAGE INCREASES?

A. Yes. As in the past OPA will apply its industry earnings standard to distributive trades as well as to manufacturing industries. Hence, if an approved wage increase, alone or together with other cost increases, should reduce the overall earnings of a trade below their base period level, OPA would act promptly to grant price relief. Distributive earnings have generally been so far above their base-period level as to make the need for action of this sort unlikely for most distributive trades.

83. Q. WILL OPA REQUIRE DISTRIBUTORS TO ABSORB PRICE INCREASES WHICH IT MAY ALLOW MANUFACTURERS?

A. OPA will not authorize price increases for distributors price increases equivalent to those allowed their suppliers if the distributors are found to have a reasonable ability to absorb all or a part of the increases in their suppliers' ceilings. If, however, the increases cannot be absorbed, distributors' ceilings will be revised to the extent necessary. The standards which OPA uses to gauge the ability of distributors to absorb such increases add to the protection given distributors by the industry earnings standard.

84. Q. ARE MOST DISTRIBUTORS LIKELY TO BE REQUIRED HEREAFTER TO ABSORB ANY CONSIDERABLE AMOUNT OF SUPPLIERS' PRICE INCREASES?

A. No. OPA has already required absorption by distributors in many fields to the full extent permitted by its standards. In such commodity fields, no further absorption will be expected. On this basis, for example, there is no reason to expect further absorption as to household furniture, most of the low-cost staple items of apparel, most foods, and some reconversion goods, including a number of household appliances. Dealers in other fields, who have been required to absorb lesser amounts or none at all, will, of course, still have some further margin for absorption.

85. Q. DOES OPA'S REQUIREMENT THAT DISTRIBUTORS ABSORB ALL OR PART OF AN INCREASE IN MANUFACTURERS' CEILINGS DISCRIMINATE UNFAIRLY AGAINST DISTRIBUTORS?

A. No. OPA does not favor manufacturers as against distributors by this requirement. OPA has always required, and by its industry earnings and other standards is still requiring, manufacturers to absorb cost increases to the limit of their reasonable capacity to do so. It would be grossly unfair, as well as inflationary, to make no similar requirement in the case of distributors.

86. Q. WILL OPA'S CONTINUED REQUIREMENT OF COST ABSORPTION BY SOME DISTRIBUTORS BE AN ECONOMIC HARDSHIP TO THEM?

A. No. Most distributive trades have fared extremely well throughout the period of price control. The standards of absorption will permit them to continue to prosper. As was explained above, there are many fields where no further absorption whatever is to be expected. OPA is not reviewing its standards governing distributor absorption to make doubly sure that hardship will not result from changed conditions under the new wage price policy.

Where Industry Wage Actions Are Not Simultaneous

87. Q. HOW WILL OPA TAKE WAGE OR SALARY INCREASES INTO ACCOUNT WHEN MOST EMPLOYERS IN AN INDUSTRY HAVE MADE THEM BUT SOME HAVE NOT?

A. While OPA will generally act only on the bases of approved increases, it will in the interests of promptness take industry action, if needed. When most of the industry has made approved wage increases and most of the rest is reasonably sure to follow in the near future, OPA will be free to take the future wage increases into consideration in making industry-wide price adjustments in such cases, where this will promote effective price administration.

88. Q. HOW WILL OPA TAKE WAGE OR SALARY INCREASES INTO ACCOUNT WHEN SOME EMPLOYERS IN AN INDUSTRY HAVE MADE SUCH INCREASES BUT MOST HAVE NOT?

A. In such a case, OPA will endeavor, wherever practicable, to provide a means of giving prompt relief, if needed, to those employers who have made approved wage increases and for those who later make them. Methods for doing this include providing two levels of ceilings, the higher level being available to employers only as they make the wage increases; authorizing individual adjustments for employers who have made increases, and prescribing increase factors to be used by such employers in calculating their ceilings. However, where uniform prices are essential, it may be necessary to increase the industry ceiling from time to time as more wage increases are made.

Questions About Government Contracts

89. Q. WILL FEDERAL PROCUREMENT AGENCIES TAKE ACCOUNT OF APPROVED WAGE OR SALARY INCREASES MADE AFTER FEBRUARY 14, 1946?

A. Yes. Any approved wage or salary increase made on or after February 14, 1946, (the date of the new executive order) by an employer furnishing goods or services under contract with the United States will be taken into consideration by the procurement agency concerned on the same basis that the agency would take any other cost factor into account.

90. Q. WILL THE PROCUREMENT AGENCIES TAKE ACCOUNT OF WAGE OR SALARY INCREASES WHICH WERE MADE WITHOUT APPROVAL BEFORE FEBRUARY 14, 1946, AND REMAINED UNAPPROVED BEFORE THAT DATE?

A. Only if the procurement agency finds that reimbursement is necessary to prevent hardship to the employer. Otherwise the agency will exclude the costs attributable to the increase.

91. Q. WILL THE PROCUREMENT AGENCIES TAKE ACCOUNT OF UNAPPROVED WAGE OR SALARY INCREASES MADE AFTER FEBRUARY 14, 1946?

A. No. The procurement agencies will not reimburse employers for any costs incurred as a result of such an increase.

NOTE

These questions and answers are issued by the Office of Economic Stabilization, the Office of Price Administration, and the National Wage Stabilization Board, in further explanation of the revised wage-price policy announced by President Truman on February 14, 1946. They are published after extensive consultation among all three agencies. However it should be kept in mind that the National Wage Stabilization Board is a tripartite group whose members represent and act as spokesmen for management, labor and the public. Thus various Wage Stabilization Board members have noted reservations and in some cases registered objections to the answers to particular questions. Specific wage increases will, of course, be considered by the whole Wage Stabilization Board on the facts of the individual cases as they arise.

*Here is the  
OFFICIAL REGULATION*

TITLE 32 — NATIONAL DEFENSE

CHAPTER XVIII -- OFFICE OF ECONOMIC STABILIZATION

PART 4001 -- STABILIZATION OF WAGES AND PRICES

SUPPLEMENTARY WAGE AND SALARY REGULATIONS

Pursuant to the authority vested in me by the Stabilization Act of 1942, as amended, and by Executive Order 9250 of October 3, 1942 (7 F.R. 7871), Executive Order 9328 of April 8, 1943 (8 F.R. 1681), Executive Order 9599 of August 18, 1945 (10 F.R. 10155), Executive Order 9651 of October 30, 1945 (10 F.R. 13487), Executive Order 9697 of February 14, 1946 (11 F.R. 1691), and Executive Order 9699 of February 25, 1946 (11 F.R. 1929), the following regulations are hereby promulgated: 1/

SUBPART A — GENERAL PROVISIONS

Section 101. Purpose. The purpose of these regulations is to carry out the policies established in Executive Order 9599 (August 18, 1945), Executive Order 9651 (October 30, 1945), and Executive Order 9697 (February 14, 1946) with respect to increases in wages and salaries and their relationship to prices and rent ceilings and costs to the United States. These regulations supersede the Supplementary Wage and Salary Regulations issued by the Stabilization Administrator on December 5, 1945 (10 F.R. 14820). They supersede all other regulations, directives or rulings of the Economic Stabilization Director 2/ or of the Stabilization Administrator to the extent that they are inconsistent with them.

Section 102. "Approved" and "unapproved" wage and salary increases. As used in these regulations, an "approved" wage or salary increase means an increase which has been approved with the provisions of Section 3 of Executive Order 9697 or of Subpart C of these regulations. An "unapproved" wage or salary increase means any other wage or salary increase. An "approved" wage or salary increase may be taken into consideration in determining price or rent ceilings or costs to the United States in accordance with the provisions of Subpart D of these regulations. An "unapproved" increase is subject to the Conditions stated in Subpart B of these regulations and may not be so taken into consideration.

1/ These regulations supersede the Supplementary Wage and Salary Regulations issued by the Stabilization Administrator on December 5, 1945 (10 F.R. 14820). However, Order No. 1 under Section 4001.306 of these regulations (10 F.R. 15026) and Order No. 2 under Section 4001.306 of those regulations (11 F.R. 1045) remain in full force and effect.

2/ As hereafter used in these regulations, the term "Economic Stabilization Director" includes also the Stabilization Administrator in the case of actions taken between September 20, 1945 and February 25, 1946.

SUBPART B -- UNAPPROVED WAGE OR SALARY INCREASES

Section 103. What wage and salary increases are lawful. (a) While the making of any wage or salary increase on or after February 14, 1946, is subject to the conditions stated in Subpart B of these regulations, the payment of such an increase is not unlawful, except as provided in the succeeding paragraphs of this section.

(b) Pending provision to the contrary by the National Wage Stabilization Board, a wage or salary increase may not lawfully be made with respect to employees in the building and construction industry who are subject to the jurisdiction of the Wage Adjustment Board, unless the increase, before being put into effect, has been approved in accordance with the applicable requirements of the National Wage Stabilization Board and of the Wage Adjustment Board.

(c) Pending provision to the contrary by the Secretary of Agriculture, a wage or salary increase subject to the wage or salary stabilization regulations of the Secretary of Agriculture is not lawful unless the increase, before being put into effect, has been approved as required by these regulations or unless the increase is permissible under the terms of those regulations.

(d) Pending provision to the contrary by the National Wage Stabilization Board, wage or salary increases for the purpose of eliminating intra-plant inequities in the basic steel industry may not lawfully be made with respect to the rates of employees covered by the Directive Order of the National War Labor Board dated November 25, 1944 unless, before such increases are put into effect, they have been approved in accordance with the applicable requirements of the National Wage Stabilization Board.

(e) Except as the appropriate wage or salary stabilization agency may by regulation or general order provide, no new wage or salary rates for new plants or for new departments in existing plants may be established or paid without the prior approval of such agency.

(f) The Economic Stabilization Director may, by amendment to this section, define further classes of wage or salary increases which will be unlawful unless made with the prior approval of the appropriate wage or salary stabilization agency.

Section 104. List of designated wage or salary stabilization agencies. (a) The following, for the purpose of these regulations, are designated wage and salary stabilization agencies:

(1) The National Wage Stabilization Board, with respect to wages and salaries as to which the National War Labor Board exercised jurisdiction on August 17, 1945.

(2) The Commissioner of Internal Revenue, with respect to salaries as to which the Commissioner exercised jurisdiction on August 17, 1945.

(3) The Economic Stabilization Director, with respect to wages and salaries as to which the National Wage Stabilization Board is precluded from exercising authority by the Lea Amendment to the National War Agencies Appropriation Act of 1946. (Such cases will be transmitted to the Director by the Secretary of Agriculture).

(4) The Secretary of Agriculture, with respect to wages and salaries as to which the Secretary exercised jurisdiction on August 17, 1945.

(b) The provisions of these regulations are also applicable, to the extent authorized by Executive Order 9299 and Section 4 of the Stabilization Act of 1942, as amended, to wages and salaries of employees who are subject to the provisions of the Railway Labor Act.

Section 105. Application to suspended price or rent ceilings. For the purpose of these regulations the terms "price or rent ceilings" shall include price or rent ceilings which have been suspended by the Price Administrator.

Section 106. Wage increases required by certain statutes. Nothing in these regulations shall be construed to prohibit or to attach conditions to the making of any wage or salary increase required by the provisions of the Fair Labor Standards Act, the Walsh-Healey Act, or the Davis-Bacon Act.

Section 201. Exceptions to prior approval provisions of Executive Order 9297. Any employer may make a wage or salary increase without the prior approval of any wage or salary stabilization agency and without prejudice to his right of applying for approval of the increase thereafter and using it, to the extent that it is approved, as a basis for seeking an increase in price ceilings or for any other of the purposes described in Section 202, if either:

(a) The employer has no present intention of using the increase as a basis for seeking an increase in price ceilings or for any other of the purposes described in Section 202, and so states in a notice describing the increase filed with the appropriate wage or salary stabilization agency within 30 days after the increase is first reflected in current payrolls; or

(b) The increase is made before March 15, 1946, in accordance with the provisions of General Order 1, issued by the Stabilization Administrator, and application for approval is filed with the appropriate wage or salary stabilization agency within 30 days after the increase is first reflected in current payrolls.

Section 202. Waiver of right to seek increased ceilings or to increase costs to the United States by institution of unapproved increase. Except as provided in Section 201, the making on or after February 14, 1946, of any wage or salary increase (other than an increase approved under the provisions of these regulations) without the prior approval of the appropriate wage or salary stabilization agency shall be deemed to be a waiver, during the continuation of the stabilization laws, of any right which the employer might otherwise have to use such increase in whole or in part as a basis for seeking or obtaining an increase in price or rent ceilings or for resisting an otherwise justifiable reduction in price or rent ceilings or (in the case of products or services being furnished under contract with a federal procurement agency) for increasing costs to the United States or (in the case of a public utility or common carrier) for seeking or obtaining an increase in rates.

Section 203. Unapproved increases excluded from consideration in determining price or rent ceilings. (a) The Price Administrator shall not take into consideration any unapproved wage or salary increase in determining price or rent ceilings. Whenever there is presented as a basis for an increase in such ceilings an operating or financial statement which reflects, in whole or in part, the results of operations during a period in which an unapproved wage or salary increase was paid, the Price Administrator shall deduct from the costs as shown in the statement the amount of the increase in payroll resulting from the unapproved increase, except to the extent that the employer affirmatively shows that the increase in labor costs attributable to the unapproved increase was less than the increase in payroll.

(b) No seller or landlord may take any unapproved wage or salary increase into consideration in determining his price or rent ceilings.

Section 204. Unapproved increases excluded as basis for increasing costs to the United States. No unapproved wage or salary increase shall be used as a basis for increasing costs to the United States. No federal procurement agency shall agree to terminate any contract for the purpose of negotiating a new contract which will take into consideration the cost of an unapproved wage or salary increase. So far as practicable, no federal procurement agency shall take any unapproved wage or salary increase into consideration in negotiating a fixed price contract.

SUBPART C -- APPROVAL OF WAGE OR SALARY INCREASES

Section 301. Wage or salary increases which are approved without further application to wage or salary stabilization agencies. Except as provided in Section 103, any wage or salary increase of a kind described in this section shall be deemed to be approved for the purposes of these regulations:

(a) Any wage or salary increase lawfully made without specific approval or approved by the appropriate wage or salary stabilization agency before February 14, 1946.

(b) Any wage or salary increase made at any time in accordance with a governmental recommendation in a wage controversy announced before February 14, 1946.

(c) Any wage or salary increase made on or after February 14, 1946, by an employer who at the time the increase was put into effect employed not more than eight employees: Provided, that unless expressly extended by announcement of the appropriate wage or salary stabilization agency this exception shall not apply with respect to employees whose wages, hours or working conditions have been established or negotiated on an industry, association, area, or other similar basis by a master contract or by similar or identical contracts; and Provided, further, that the appropriate wage or salary stabilization agency may make such other exclusions from this exception as it may deem necessary to carry out the purposes of Executive Order 9697.

(d) Any wage or salary increase made on or after February 14, 1946, resulting from the institution of a plan which provides for (1) not more than six paid holidays per year, or (2) extra payments for night work, to the extent that such extra payments do not exceed five cents per hour for work on second shift or ten cents per hour for work on a third shift, or (3) paid vacations to employees, to the extent that such paid vacations do not exceed one week for any employee having completed one year or more of employment with the employer and two weeks for any employee having completed five or more years of employment with the employer.

(e) Any wage or salary increase made in accordance with the provisions of a regulation or general order issued by the appropriate wage or salary stabilization agency pursuant to Section 303 of these regulations.

**Section 302. Wage or salary increases approvable only on application to wage or salary stabilization agency.** A wage or salary increase which does not fall within one of the classes listed in Section 301 may be approved only on application to, and decision by, the appropriate wage or salary stabilization agency. Such an increase shall be approved only if the appropriate wage or salary stabilization agency finds that it falls within one or more of the classes of cases described in Sections 303 to 307 and only to the extent to which it is found approvable under the terms of those sections. Upon the determination by the appropriate wage or salary stabilization agency that a wage or salary increase is approvable under the terms of the applicable section, the increase shall be deemed to be approved also by the Economic Stabilization Director.

**Section 303. Increases consistent with industry or local area pattern.** The appropriate wage or salary stabilization agency shall approve a wage or salary increase which it finds to be consistent with the general pattern of wage or salary adjustments which has been established in the particular industry, or in the particular industry or related industries within the particular local labor market area, during the period between August 18, 1945, and February 14, 1946.

**Section 304. Increases to correct gross inequities.** In any case in which it finds that no applicable pattern of wage or salary adjustments was established during the period between August 18, 1945 and February 14, 1946, the appropriate wage or salary stabilization agency shall approve a wage or salary increase which it finds necessary to eliminate a gross inequity between wage rates or salaries in related industries, related plants in the same industry or locality, or related job classifications in the same plant which would interfere with the effective transition to a peacetime economy. In determining whether there exists a gross inequity between related industries, within the meaning of this section, consideration shall be given to the extent to which the take-home pay of the employees in the respective industries has been reduced as a result of the transition to a peacetime economy.

**Section 305. "Cost of living" increases.** In any case in which it finds that no applicable pattern of wage or salary adjustments was established during the period between August 18, 1945 and February 14, 1946, the appropriate wage or salary stabilization agency shall approve a wage or salary increase which it finds necessary to correct a maladjustment which would interfere with the effective transition to a peacetime economy and which is further necessary to make the average increase since January 1, 1941 in wage or salary rates of employees in the appropriate unit equal the percentage increase in the cost of living between January 1941 and September 1945. For the purposes of this section this percentage increase in the cost of living shall be deemed to be 33 per cent.

**Section 306. Increases to correct substandards of living.** The appropriate wage or salary stabilization agency shall approve a wage or salary increase which it finds is necessary to correct substandards of living.

**Section 307. Increases falling upon an appropriate wage or salary stabilization agency.** The appropriate wage or salary stabilization agency may approve any wage or salary increase which it finds falls within one of the standards in effect on August 17, 1945, (except the standards relating to "rare and unusual" cases) under which applications for wage or salary increases were approved.

**Section 308. Issuance of general pattern and other orders.** (a) The appropriate wage or salary stabilization agency shall have authority by regulation or general order to designate particular industries, or particular industries or related industries within a particular local labor market area, with respect to which it finds that a general pattern of wage or salary adjustments has been established, within the meaning of Section 303, or that a specified wage or salary level is necessary to eliminate a gross inequity between wage rates or salaries in related industries or in related plants in the same industry or locality, within the meaning of Section 304, and to provide that any wage or salary increase conforming to such regulation or general order shall be deemed to be approved.

(b) No wage or salary increase or part thereof which is made by an employer who falls within the terms of a regulation or general order issued pursuant to paragraph (a) of this section and which is in excess of the amount approved by such regulation or order shall be approved under any other provision of this regulation, except Section 306 or Section 307, unless the appropriate wage or salary stabilization agency finds, with the approval of the Economic Stabilization Director, that because of special circumstances such approval is necessary to effectuate the purposes of Executive Order 9697.

(c) The appropriate wage or salary stabilization agency may, with the approval of the Economic Stabilization Director, give advance approval by regulation or general order to other classes of wage or salary increases.

**Section 309. Agreements for conditional wage or salary increases.** No wage or salary stabilization agency shall consider or act upon an application for approval of any wage or salary increase which appears to be conditioned in whole or in part upon the granting of an increase in price or rent ceilings. This provision, however, shall not be a bar to consideration of an increase which is conditioned upon approval by the appropriate wage or salary stabilization agency nor of an increase which is not to be put into effect until a determination has been made by the Office of Price Administration as to whether an increase in price or rent ceilings is required.

#### SUBPART D -- EFFECT OF APPROVED WAGE OR SALARY INCREASES

##### **Section 401. Effect of approved increases in determining price or rent ceilings.**

(a) In determining price or rent ceilings, the Price Administrator shall take into consideration, consistently with the provisions and purposes of Executive Order 9697, any wage or salary increase which is approved under the provisions of these regulations. If so doing, however, the Price Administrator shall exclude from consideration any retroactive part of any such increase -- that is, any part paid on account of work done prior to the date when the increase was made, except where, in his judgment, different action is required in order to end a supply emergency with respect to the commodity involved which threatens to interfere with the effective transition to a peacetime economy.

(b) Nothing in these regulations shall be construed as directing any increase in price or rent ceilings which is not required under the provisions of an applicable maximum price or rent regulation or under the applicable statutory or administrative standards governing changes in price or rent ceilings, including the standards provided for in Section 2 of Executive Order 9697.

**Section 402. Prohibition against adjustment of price or rent ceilings before approved increase has been put into effect or agreed to.** Except to the extent permitted in Section 403, the Price Administrator shall not, in the absence of specific approval by the Economic Stabilization Director, authorize any increase in price or rent ceilings or make any commitment to authorize any such increase on the basis of any increase in wages or salaries unless such wage

or salary increase has been put into effect or a time limit exists to put it into effect. However, in order to expedite adjustment of ceilings after approved increases have been put into effect, the Price Administrator may, while an application for approval of a wage or salary increase is pending, receive applications for increased ceilings based on the wage or salary increase for which approval is being sought.

Section 403. Industry price increases when some employers in industry have not made wage or salary increases. In taking action in accordance with the pricing standards of Section 2 of Executive Order 9697 or of any orders or directives issued by the Economic Stabilization Director pursuant thereto, the Price Administrator may find it necessary from time to time to arrive at a judgment with respect to the earnings position, over the succeeding 12 months, of an industry in which a part, but not all, of the firms have put approved wage or salary increases into effect or have made firm agreements to do so. In such a case, not only is the Price Administrator authorized to take into account any resulting increase in cost to the firms which have taken such action but, where he finds that such firms constitute a large portion of the industry (ordinarily representing at least one-half the total output) and that like wage or salary increases appear reasonably sure to be made by a large portion of the remaining firms in the near future, he may also take into account the increase in cost which he believes likely to result from those future wage increases, when, in his judgment, to do so would promote effective price administration. Where the Price Administrator finds that a portion of the firms in an industry have taken such action with respect to approved wage or salary increases and additional firms are reasonably certain to do so, but where he cannot make the finding required by the preceding sentence, he may not, without the express approval of the Economic Stabilization Director, take into present account such wage or salary increases as may thereafter be made and approved, but he may make whatever provision appears to him just and practicable (e.g., by establishing two levels of ceiling prices, by authorizing individual adjustments, or by prescribing increase factors) to accord price relief, where needed, to those firms which have put approved wage or salary increases into effect or have made firm agreements to do so and to facilitate the granting of price relief on a like basis to those other firms which may thereafter take such wage or salary action.

Section 404. Use of estimates as to effect of approved wage or salary increases on costs. The Price Administrator shall arrive at a judgment as to the effect on costs currently or for the succeeding 12 months of an approved wage or salary increase on the basis of the best data which may be in hand or obtainable from the industry or firm involved within a reasonably short period of time. In so doing, he shall give due consideration to such seasonal, nonrecurring, temporary, or otherwise non-representative factors as may be reflected in such data and also to such relevant factors as he may find have been operative since the period covered by the data, or may be operative in the succeeding 12 months, which indicate that the actual cost of the wage or salary increase is then, or over the latter period will be, higher or lower than the estimates of costs which would otherwise be derived from the data. In appropriate cases, the Price Administrator shall provide for the subsequent review of any adjustment in ceilings put into effect, in the light of actual experience during a representative period of operations subsequent to the increase.

Section 405. Effect of approved increases in determining costs to the United States. In the case of products or services being furnished under contract with a federal procurement agency, such agency may take into consideration, on the same basis as other factors affecting costs, any wage or salary increase which is approved under the provisions of these regulations: Provided, however, that no wage or salary increase which was made on or before February 13, 1946, and was unapproved on that date, shall be a basis for reimbursement under such a contract unless the procurement agency administering the contract finds that reimbursement is necessary to prevent hardship. Nothing in these regulations, however, shall be construed as authorizing or requiring any increase in costs to the United States which is not required by the applicable procurement contract.

Section 406. Increased costs to the United States to be limited to employers who have instituted wage or salary increases. To the fullest practicable extent federal procurement agencies shall provide that no employer shall be eligible for the benefits of any increase in

payments by the United States based upon an approved wage or salary increase except to the extent to which he himself has put into effect such wage or salary increase.

(E.O. 9250; E.O. 9328, 3 F.R. Cum. pp. 1213, 1267; E.O. 9599 (10 F.R. 10155); E.O. 9620 (10 F.R. 12033); E.O. 9651 (10 F.R. 13487; E.O. 9697 (11 F.R. 1691) and E.O. 9699 (11 F.R. 1929).

March 8, 1946

Chester Bowles,  
Economic Stabilization Director

INDEX TO  
SUPPLEMENTARY WAGE AND SALARY REGULATIONS

SECTION

Advance Approval of Wage or Salary Increases . . . . .	301, 308
Agencies, wage or salary stabilization . . . . .	104
Agricultural wage or salary increases. . . . .	103(c) 301
Approval of wage or salary increases on application. . . . .	302 - 307
Building and construction industry wage increases . . . . .	103(b), 301
Commissioner of Internal Revenue . . . . .	104(2)
Common carriers, effect of unapproved wage or salary increases on. . . . .	201, 202
Conditional wage or salary increases . . . . .	309
Construction industry wage increases . . . . .	103(b), 301
Cost of living wage or salary increases. . . . .	305
Davis-Bacon Act. . . . .	106
Economic Stabilization Director. . . . .	103(g), 104(3), 302, 308(b), 308(c), 402, 403
Eight or fewer employees . . . . .	301
Fair Labor Standards Act . . . . .	106
General orders giving advance approval to wage or salary increases . . . . .	308(c)
Government recommendations in wage disputes. . . . .	301(b)
Gross inequities . . . . .	304, 308(a), 308(b)
Holiday pay. . . . .	301(d)
Increased cost to the United States due to approved wage or salary increases . . . . .	405, 406
Increased cost to the United States due to unapproved wage or salary increases . . . . .	201, 202, 204
Increased rates for public utilities or common carriers due to unapproved wage or salary increases . . . . .	401, 402, 403, 404
Increases consistent with Industry pattern . . . . .	303, 308(a), 308(b)
Increases consistent with local area patterns. . . . .	303, 308(a), 308(b)
Increases in price or rent ceilings due to unapproved wage or salary increases. . . . .	203
Increases in price or rent ceilings due to approved wage or salary increases . . . . .	401, 402, 403, 404
Increases made before February 14, 1946. . . . .	301 (a)
Increases made before March 15, 1946 . . . . .	201
Increases to adjust for increased cost of living (approvable). . . . .	305
Increases made on or after February 14, 1946 . . . . .	201, 202, 301
Increases to comply with Fair Labor Standards Act and Minimum Wage Laws. . . . .	106
Increases to correct gross inequities. . . . .	304, 308(a), 308(b)
Increases to correct substandards of living. . . . .	306
Increases which must be approved by stabilization agencies . . . . .	301
Industry wage patterns . . . . .	303, 308(a), 308(b)
Institution of wage or salary increases without prior approval . . . . .	201, 202
Lawful wage or salary increases. . . . .	103
Local area wage patterns . . . . .	303, 308(a), 308(b)

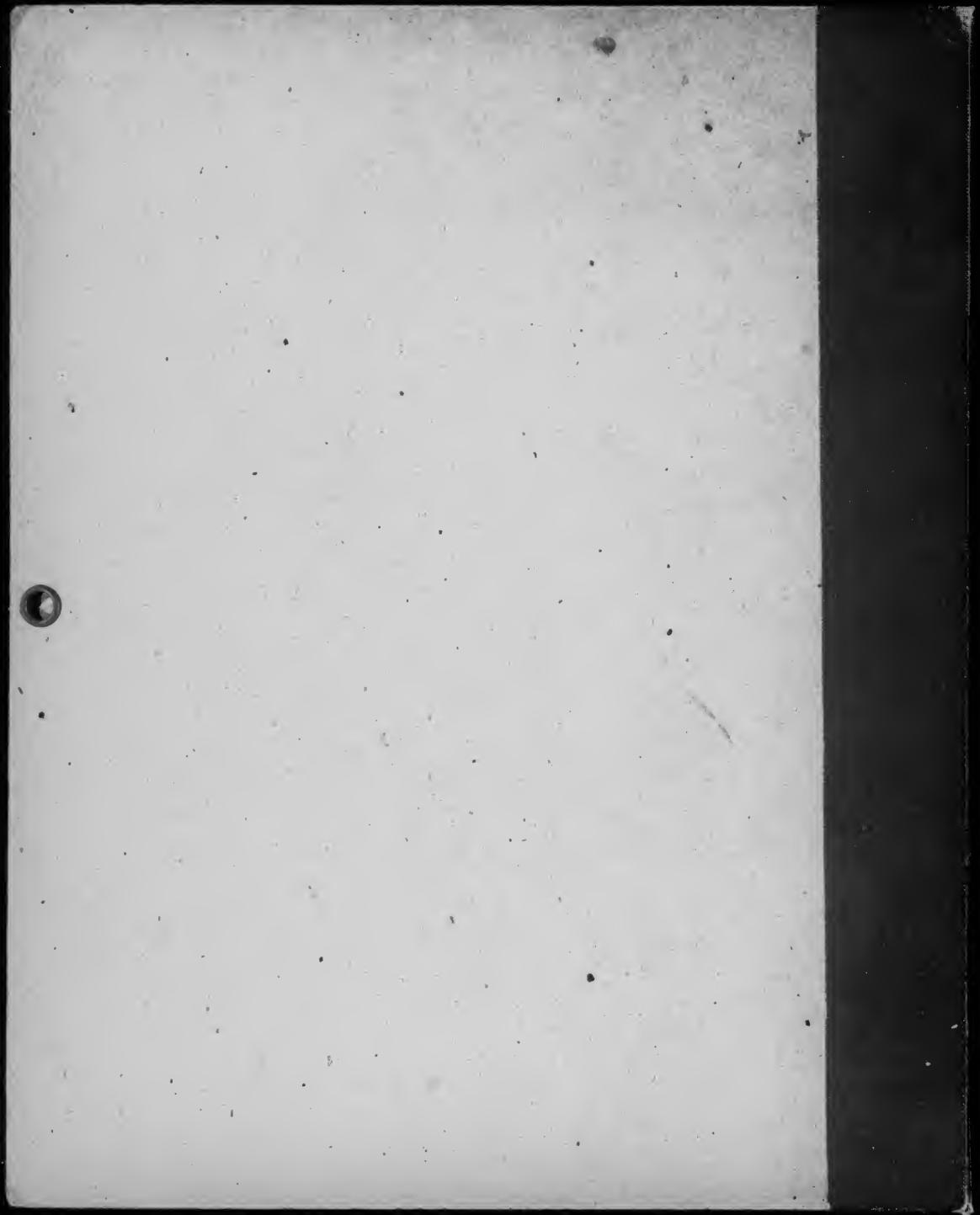
SECTION

National Wage Stabilization Board . . . . .	104(1)
New Departments, wage rates . . . . .	103(e)
New plants, wage rates. . . . .	103(e)
Nightshift differentials. . . . .	301(d)
Price ceilings, waiver of right to seek increases . . . . .	201, 202
Price ceilings, effect of unapproved wage or salary increase. . . . .	203
Price ceilings, effect of approved wage or salary increases . . . . .	401, 402, 403, 404
Price ceilings suspended. . . . .	105
Public Utilities, effect of unapproved wage or salary increases . . . . .	201, 202
Rare and unusual cases . . . . .	308(c)
Reduction of price or rent ceilings, effect of unapproved wage or salary increase. . . . .	201, 202
Salary Stabilization Agencies. . . . .	104
Secretary of Agriculture . . . . .	103(c), 104(4)
Steel industry, intra-plant inequity adjustments . . . . .	103(d)
Substandard of living increases. . . . .	306
Suspended price or rent ceilings . . . . .	105
Unapproved wage or salary increases. . . . .	201, 202, 203, 204
Unlawful wage or salary increases. . . . .	103(b)(c)(d)(e)(f)
Vacation payments. . . . .	301(d)
Wage or salary patterns. . . . .	303, 304, 308
Wage or salary rates for new departments . . . . .	103(e)
Wage or salary rates for new plants. . . . .	103(e)
Wage Stabilization Agencies. . . . .	104
Waiver of rights to seek increased price or rent ceilings, utility or carrier rates, costs to the United States, to resist lower ceilings. . . . .	201, 202
Walsh-Healey Act . . . . .	106

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